

Message Text

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51

ACTION NEA-10

INFO OCT-01 AF-04 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-04 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 EUR-12

PA-01 PRS-01 USIA-06 /098 W
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R 181520Z NOV 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 0302

INFO AMEMBASSY CONAKRY

AMEMBASSY ABU DHABI

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E.O. 11652: NA

TAGS: EIND EMIN EAID EG

SUBJ: NAG HAMMADI ALUMINUM PLANT: A

POTENTIAL WHITE ELEPHANT IN THE DESERT

SUMMARY: EGYPT'S ALUMINUM PLANT AT NAG HAMMADI IS BEHIND SCHEDULE, WITHOUT A SOURCE OF RAW MATERIALS, AND OF SOME CONCERN BECAUSE OF HIGH ENERGY NEEDS. GOE IS PRESSING ON, HOWEVER, AND STILL HOPES BEGIN PRODUCTION EARLY NEXT YEAR. END SUMMARY

1. ALUMINUM COMPLEX AT NAG HAMMADI IS LEFT -OVER FROM EARLIER DEVELOPMENT PLANS (MOST RECENTLY 1973) THAT WERE OTHERWISE LARGELY ABANDONED. LOCATED 200 KMS. NORTH OF ASWAN, IT WAS ONE OF MAJOR PROJECTS FOR USE OF ELECTRICITY FROM HIGH DAM TO WHICH IT IS LINKED BY 500 KV DOUBLE CIRCUIT TRANSMISSION LINES. ORIGINAL COST IS REPORTED TO HAVE BEEN ESTIMATED AT LE 70 MILLION, OF WHICH LE 50 MILLION IS ALLEGEDLY FROM USSR, TO BE REPAID IN 20 YEARS STARTING
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FROM DATE OF PRODUCTION AT UNKNOWN INTEREST.

2. PLANS CALL FOR PRODUCTION OF 100,000 TONS PER YEAR OF INGOTS, CYLINDERS, SLABS AND WIRE RODS FROM 200,000 TONS OF BAUXITE. ABOUT 25 PERCENT IS FOR LOCAL CONSUMPTION, REMAINDER FOR EXPORT, PLANT IS NEARING COMPLETION, WELL BEHIND SCHEDULE, AND NOVEMBER START UP HAS NOW BEEN PUT OFF TO JANUARY, AT WHICH TIME PRODUCTION IS TO BE 1,000 TONS PER MONTH. DESIGN CAPACITY OUTPUT IS NOT EXPECTED UNTIL EARLY 76 AT THE EARLIEST.

3. NAG HAMMADI HAS NUMBER OF SERIOUS SHORTCOMINGS FROM ECONOMIC POINT OF VIEW. LOCATION OF PLANT WAS REACHED ON POLITICAL BASIS RELATED TO DESIRE INTRODUCE INDUSTRY TO UPPER EGYPT, AND NECESSITATES TRANSPORT OF 200,000 TONS OF BAUXITE REQUIRED ANNUALLY BY TRUCK FROM RED SEA PORT OF SAFAQA 200 KMS AWAY. ADDITIONALLY, ENORMOUS ELECTRICITY DRAIN (2 BILLION KW ANNUALLY) WILL TAKE ALL AVAILABLE POWER FROM HIGH DAM, ALREADY OPERATING BELOW CAPACITY, AND MAY NECESSITATE INSTALLATION OF SUPPLEMENTARY SOURCES. SINCE EGYPT WILL ALLEGEDLY FACE SEVERE SHORTAGE OF ELECTRICITY IN NEXT FEW YEARS, THIS HAS CAUSED SOME CONCERN IN VARIOUS MINISTRIES.

4. FINALLY, WE UNDERSTAND THAT CONTRACT FOR SUPPLY OF BAUXITE SIGNED EARLIER THIS YEAR WITH SWISS ALUMINA, WHICH WAS ALSO TO MARKET EXPORTS, HAS BEEN CANCELLED DUE TO INCREASE IN WORLD PRICES. ABU DHABI IS REPORTEDLY READY TO PROVIDE THE FUNDS FOR PURCHASE OF BAUXITE FROM GUINEA, AND A DELEGATION FROM EGYPT IS DUE TO VISIT THE TWO COUNTRIES IN THE NEXT FEW WEEKS TO WORK ON DETAILS.

5. COMMENT: OFFICIALS IN THE MINISTRY OF INDUSTRY SEE NAG HAMMADI AS A RELIC OF NASSER'S DREAMS. PLANNING IS RECOGNIZED TO LEAVE MUCH TO BE DESIRED. PLANT IS AN OBVIOUS MILLSTONE AROUND THE NECK OF DEVELOPMENT, BUT MAY EVENTUALLY BE OF UTILITY IF EVERYTHING ELSE GOES WELL FOR EGYPT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, ALUMINUM
Control Number: n/a
Copy: SINGLE
Draft Date: 18 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CAIRO09295
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740333-0049
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741135/aaaabdoa.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by martinml>; APPROVED <14 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NAG HAMMADI ALUMINUM PLANT: A POTENTIAL WHITE ELEPHANT IN THE DESERT
TAGS: EIND, EMIN, EAID, EG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005